



# Texas **Service Sector** Outlook Survey

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**March 31, 2020**

## **Texas Service Sector Sees Unprecedented Decline in Activity**

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### **What's New This Month**

For this month's survey, Texas business executives were asked supplemental questions on the impacts of the coronavirus (COVID-19). Results for these questions from the Texas Manufacturing Outlook Survey, Texas Service Sector Outlook Survey and Texas Retail Outlook Survey have been released together.

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The Texas service sector saw a dramatic decline in March amid the ongoing coronavirus (COVID-19) pandemic and related measures, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, plummeted from 14.0 in February to -67.0 in March, an all-time low reading for the survey.

Labor market indicators reflected a sharp contraction in employment and significantly shortened workweeks. The employment index fell from 6.1 to -23.8, its lowest reading on record. The hours worked index drastically dropped over 47 points to -43.0, with nearly half of respondents noting a cut in employee hours.

Perceptions of broader business conditions turned extremely pessimistic in March, while uncertainty surged. The general business activity index fell over 85 points to -78.8, while the company outlook index dove 80 points to a reading of -75.3, setting a new record low for both indexes. Tellingly, all respondents noted either no change or a decline in both of these measures compared with last month. Meanwhile, the outlook uncertainty index surged to 37.6, its highest reading since the question was added to the survey in 2018.

Wage and price pressures largely evaporated in March. The wages and benefits index declined 30 points to -12.4, its first negative reading since 2009. The input prices index fell from 26.6 to 0.1 suggesting no net price changes compared with February, while the selling prices index saw an unprecedented fall from 8.0 to -44.5.

Respondents' expectations regarding future business conditions deteriorated sharply compared with February. The future company outlook index decreased from 15.8 to -49.1, while the future general business activity index plummeted 62 points to a reading of -50.4. For both indexes, fewer than 15 percent of respondents noted an increase compared with last month. Other indexes of future service sector activity, such as revenue and employment, declined to all-time lows and suggest expectations of ongoing weakness over the next six months.



# Texas Retail Outlook Survey

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## Texas Retail Sales Plummet

Retail sales fell sharply in March, according to business executives responding to the Texas Retail Outlook Survey. The sales index dropped from -2.5 in February to an all-time low of -82.6 in March, with fewer than 1 percent of respondents noting an increase in sales. Inventories declined precipitously, with the inventories index weakening from -9.7 to -42.6.

Retail labor market indicators pointed to sharp cuts in employment and workweek hours in March. The employment index fell from -1.0 to -28.4, a postrecession low, while the hours worked index plunged to a record low of -58.1, as all respondents noted no change or a decline in hours compared with February.

Retailers' perceptions of broader business conditions deteriorated to all-time lows in March, while outlook uncertainty hit an all-time high. The general business activity index plunged from -5.0 to -84.2, while the company outlook index declined from -10.3 to -83.8—both record lows.

Retail prices and wages declined in March. The input prices index fell from 19.9 to a postrecession low of -12.0, while the selling prices index collapsed 63 points to -35.5, near a record-low reading. The wages and benefits index fell from 14.7 to -20.6.

Negative sentiment surrounding retailers' perceptions of future conditions surged this month. The future general business activity index lost nearly 65 points and dropped to -66.0, while the future company outlook index similarly shed 65 points, plunging to -62.4. Other indexes of future retail activity, such as sales and employment, moved into deeply negative territory and point to expectations of further declines over the next six months.

**The Texas Retail Outlook Survey is a component of the Texas Service Sector Outlook Survey that uses information only from respondents in the retail and wholesale sectors.**

**Next release:** April 28, 2020

Data were collected March 17–25, and 248 Texas service sector and 56 retail sector business executives responded to the survey. The Dallas Fed conducts the Texas Service Sector Outlook Survey monthly to obtain a timely assessment of the state's service sector activity. Firms are asked whether revenue, employment, prices, general business activity and other indicators increased, decreased or remained unchanged over the previous month.

Survey responses are used to calculate an index for each indicator. Each index is calculated by subtracting the percentage of respondents reporting a decrease from the percentage reporting an increase. When the share of firms reporting an increase exceeds the share reporting a decrease, the index will be greater than zero, suggesting the indicator has increased over the prior month. If the share of firms reporting a decrease exceeds the share reporting an increase, the index will be below zero, suggesting the indicator has decreased over the prior month. An index will be zero when the number of firms reporting an increase is equal to the number of firms reporting a decrease. Data have been seasonally adjusted as necessary.

# Texas Service Sector Outlook Survey

## Business Indicators Relating to Facilities and Products in Texas Current (versus previous month)

Indicator	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	-67.0	14.0	-81.0	11.7	1(-)	2.4	28.2	69.4
Employment	-23.8	6.1	-29.9	6.5	1(-)	3.4	69.4	27.2
Part-Time Employment	-21.4	4.1	-25.5	1.6	1(-)	2.8	73.0	24.2
Hours Worked	-43.0	4.4	-47.4	2.5	1(-)	4.2	48.6	47.2
Wages and Benefits	-12.4	17.7	-30.1	14.5	1(-)	8.4	70.8	20.8
Input Prices	0.1	26.6	-26.5	25.3	131(+)	16.2	67.6	16.1
Selling Prices	-44.5	8.0	-52.5	5.2	1(-)	0.0	55.5	44.5
Capital Expenditures	-22.7	11.1	-33.8	10.6	1(-)	8.6	60.2	31.3

## General Business Conditions

### Current (versus previous month)

Indicator	Mar Index	Feb Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-75.3	5.1	-80.4	5.7	1(-)	0.0	24.7	75.3
General Business Activity	-78.8	7.0	-85.8	3.5	1(-)	0.0	21.2	78.8

Indicator	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	37.6	4.6	+33.0	12.0	26(+)	65.7	6.2	28.1

**Business Indicators Relating to Facilities and Products in Texas**  
**Future (six months ahead)**

Indicator	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	-40.3	39.9	-80.2	37.4	1(-)	24.0	11.7	64.3
Employment	-32.3	26.9	-59.2	22.0	1(-)	10.1	47.5	42.4
Part-Time Employment	-23.4	8.2	-31.6	6.5	1(-)	5.6	65.3	29.0
Hours Worked	-18.2	4.9	-23.1	5.3	1(-)	11.9	58.0	30.1
Wages and Benefits	1.7	37.0	-35.3	36.3	159(+)	23.9	53.8	22.2
Input Prices	9.6	40.0	-30.4	44.2	159(+)	26.9	55.9	17.3
Selling Prices	-16.7	25.9	-42.6	23.2	1(-)	16.3	50.6	33.0
Capital Expenditures	-23.4	23.4	-46.8	23.9	1(-)	12.7	51.2	36.1

**General Business Conditions**  
**Future (six months ahead)**

Indicator	Mar Index	Feb Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-49.1	15.8	-64.9	16.6	1(-)	14.9	21.1	64.0
General Business Activity	-50.4	12.0	-62.4	13.2	1(-)	11.0	27.6	61.4

**Business Indicators Relating to Facilities and Products in Texas**  
**Retail (versus previous month)**

Indicator	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Retail Activity in Texas</b>								
Sales	-82.6	-2.5	-80.1	6.2	2(-)	0.7	16.0	83.3
Employment	-28.4	-1.0	-27.4	2.2	2(-)	0.7	70.2	29.1
Part-Time Employment	-25.5	0.0	-25.5	-1.8	1(-)	3.6	67.3	29.1
Hours Worked	-58.1	-1.7	-56.4	-1.6	2(-)	0.0	41.9	58.1
Wages and Benefits	-20.6	14.7	-35.3	9.7	1(-)	4.1	71.2	24.7
Input Prices	-12.0	19.9	-31.9	18.9	1(-)	7.8	72.4	19.8
Selling Prices	-35.5	27.5	-63.0	10.3	1(-)	1.0	62.5	36.5
Capital Expenditures	-37.5	6.0	-43.5	8.9	1(-)	5.4	51.8	42.9
Inventories	-42.6	-9.7	-32.9	3.6	2(-)	1.6	54.2	44.2
<b>Companywide Retail Activity</b>								
Companywide Sales	-83.0	-2.1	-80.9	7.9	2(-)	0.0	17.0	83.0
Companywide Internet Sales	-45.6	16.2	-61.8	6.7	1(-)	0.3	53.8	45.9

**General Business Conditions, Retail**  
**Current (versus previous month)**

Indicator	Mar Index	Feb Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-83.8	-10.3	-73.5	3.8	2(-)	0.5	15.2	84.3
General Business Activity	-84.2	-5.0	-79.2	-0.6	3(-)	0.7	14.4	84.9

## Outlook Uncertainty

### Current (versus previous month)

Indicator	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Outlook Uncertainty†</b>	46.4	2.0	+44.4	10.7	3(+)	71.4	3.6	25.0

### Business Indicators Relating to Facilities and Products in Texas, Retail Future (six months ahead)

Indicator	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Retail Activity in Texas</b>								
<b>Sales</b>	-49.8	17.1	-66.9	32.0	1(-)	16.9	16.4	66.7
<b>Employment</b>	-46.1	-0.2	-45.9	12.0	2(-)	0.8	52.3	46.9
<b>Part-Time Employment</b>	-23.2	6.1	-29.3	0.7	1(-)	7.9	61.0	31.1
<b>Hours Worked</b>	-24.7	-1.5	-23.2	2.5	2(-)	11.6	52.1	36.3
<b>Wages and Benefits</b>	-3.5	23.2	-26.7	27.2	1(-)	19.7	57.1	23.2
<b>Input Prices</b>	-7.3	33.3	-40.6	32.9	1(-)	18.2	56.4	25.5
<b>Selling Prices</b>	-10.7	29.7	-40.4	28.9	1(-)	16.1	57.1	26.8
<b>Capital Expenditures</b>	-34.5	6.4	-40.9	17.7	1(-)	7.3	50.9	41.8
<b>Inventories</b>	-31.4	-14.7	-16.7	8.0	2(-)	17.2	34.1	48.6
<b>Companywide Retail Activity</b>								
<b>Companywide Sales</b>	-36.5	20.4	-56.9	30.7	1(-)	18.4	26.7	54.9
<b>Companywide Internet Sales</b>	-6.5	22.2	-28.7	21.7	1(-)	15.2	63.0	21.7

### General Business Conditions, Retail Future (six months ahead)

Indicator	Mar Index	Feb Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
<b>Company Outlook</b>	-62.4	2.3	-64.7	16.7	1(-)	5.6	26.4	68.0
<b>General Business Activity</b>	-66.0	-1.3	-64.7	12.5	2(-)	6.6	20.8	72.6

\*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (-) in the table.

\*\*Shown is the number of consecutive months of improvement or worsening in the underlying indicator. Improvement is indicated by a positive index reading and denoted by a (+) in the table. Worsening is indicated by a negative index reading and denoted by a (-) in the table.

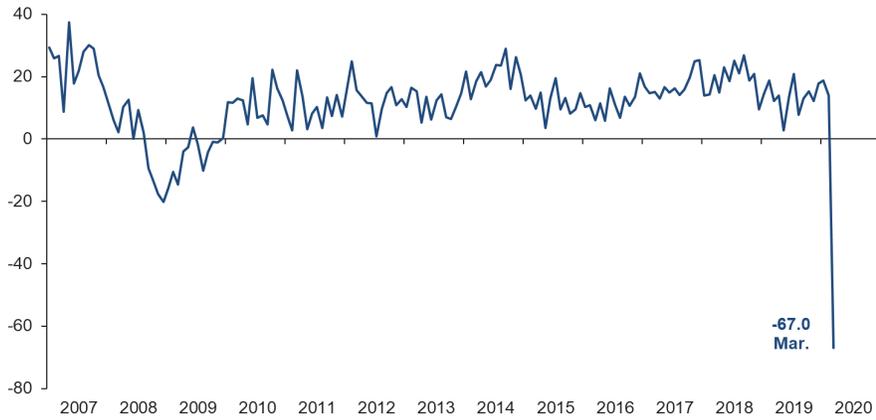
†Added to survey in January 2018.

Data have been seasonally adjusted as necessary, with the exception of the outlook uncertainty index which does not yet have a sufficiently long time series to test for seasonality.

# Texas Service Sector Outlook Survey

## Texas Service Sector Outlook Survey Revenue Index

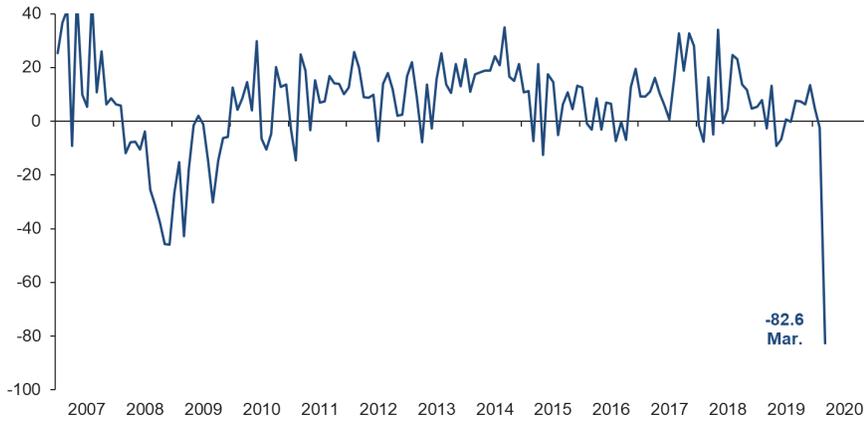
Index, seasonally adjusted



Federal Reserve Bank of Dallas

## Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

# Texas Service Sector Outlook Survey

March 31, 2020

## Comments from Survey Respondents

These comments are from respondents' completed surveys and have been edited for publication.

### Support Activities for Mining

- The outlook and uncertainty have worsened considerably with the coronavirus impact and government's reaction to it. We are looking for ways to cut costs to deal with the certain downturn and uncertain outlook.

### Utilities

- I have never seen this much uncertainty. It's much worse than 2008–09. We need to see detailed plans from the federal government.

### Transportation Equipment Manufacturing

- The impact of COVID-19 is substantial and disproportionate for some industries, creating a high level of uncertainty. As we are unable to predict the duration of the impact of the shock on the activities, we try to preserve the skills we have built by investing in recruiting, training, etc., when the job market was tight. Adding to the complexities of the managerial decision-making are the wide differences in local governments' decisions and impact on the workforce, the lack of clear, universal ruling from the federal government and the uncertain benefits for employees that could be adversely impacted. It is a time to be a responsible manager as well as citizen.

### Truck Transportation

- We are a transportation service company facing very uncertain times.
- No one is spending money they don't have to until the coronavirus is dead.

### Pipeline Transportation

- There is a severe liquidity crunch in the high-yield market that has the potential to drive many energy companies out of business.

### Support Activities for Transportation

- We are seeing global supply chain disruptions. Our revenue has fallen by 60 percent. We are not making enough to cover overhead. I am keeping all of our staff for as long as we can. Everyone is working remotely.
- The Mexican peso rate of exchange is a threat.
- We see decreases the next 30 days due to COVID-19, such as a 30-day stoppage of cruise ship activity.

### Warehousing and Storage

- [Our Port] remains open as an essential service and will continue to do so under all potential scenarios. We are heavily concentrated on liquid bulk and its processing, and that will take several months to truly decline, but once it does, we expect it to be stark. New capital projects will be delayed, and new investment decisions in export terminals will be deferred by our customers indefinitely. We fully expect the remainder of the year to be pretty stark before the recovery fully takes hold.

### Publishing Industries (Except Internet)

- The SXSW® [South by Southwest®] Austin event was canceled, which had AR/XR [augmented reality/extended reality] demonstrations scheduled regarding a couple of near-term orders, which are currently more uncertain.

### Broadcasting (Except Internet)

- COVID-19 is devastating businesses all around us. We will not lay off any employees, but we terminated employees who were underperforming. We expect sales volumes to return within six months, but we anticipate that pricing will be lower for a period of time.

## Data Processing, Hosting and Related Services

- Fortunately, our company has a recurring revenue model, so we anticipate keeping most of our monthly revenues intact. At this moment (end of March) there are very many unknowns. We will likely modify our hiring plans to hold on new hires until the economy rebounds. At this time, we do believe the economy will rebound quickly once the virus storm ends.

## Credit Intermediation and Related Activities

- The raging challenge facing everyone now is the pandemic planning and trying to manage the environment of increasing panic. There are so many unknowns, and all that we can do is to prepare our employees and customers for the threat of the spread of the virus. We have not witnessed very much in cash withdrawals, but have heard reports of some banks seeing the trend grow. We are trying to assess the potential risk the bank will be dealing with. There are no reports of cases of the virus in our immediate area, but all we hear is that it is inevitable. We have discussed closing access to the lobby and working most transactions through the drive-thru, except by appointment only for face-to-face visits. Our concern is to avoid aiding and abetting a panic by perception.
- The coronavirus has already affected our business, and we anticipate it getting worse over the next month or so. We are hopeful things will improve after 60 days.
- We have eight businesses under our umbrella. While some are likely to experience severe stress (consumer lending), others are capitalizing on this time (high-tech training for smart cars). We are eager to see the hysteria diminish and firmly believe that entrepreneurial drive will show creative ways to move ahead in an economically beneficial way.

## Securities, Commodity Contracts, and Other Financial Investments and Related Activities

- The current pause of business activity is beginning to be felt in our businesses. Fear seems to be taking over the consumer. We will likely need assistance to keep people employed beginning in late April/early May.
- As a financial services company, I expect significant revenue and profit declines for my region immediately, lasting at least through this year. Our revenues tend to lag on the uptrend but declines show up much more quickly. I expect market conditions will slow down recruiting and hiring for the remainder of the year. People tend to stay put versus a job change when uncertainty exists. Capital expenditures may be reduced, depending on the depth and length of the revenue and profit dip.
- The COVID-19 virus has had an impact on the customer base (less spending), resulting in less loan demand.
- Good rain is offset by the sharp drop in oil prices. Uncertainty has ground business to a very slow pace.

## Insurance Carriers and Related Activities

- We provide virtual health care services (including telemedicine) to employers and their employees, so our business has been crazy with coronavirus communications to all our clients. Can't tell yet if this will help or hurt our business. We have a few clients asking to add more employees so they have access to care, and a few have asked to hold onboarding or been forced to cancel our service because their business is in jeopardy.
- Insurance prices continue to increase as storms in Texas become more severe. The general level of business activity has to be termed "unsettled to irrational" as the stock market swings uncontrollably and the future of the coronavirus' effect on the economy is unknown.
- As an insurance intermediary, the coronavirus has caused significant disruption in how we market and process our business. The advances in technology we have implemented have been invaluable in adjusting our marketing and underwriting activities.

## Real Estate

- It may be too soon to make a six-month forecast. This is a fluid situation with multiple outcome scenarios.
- The imposition of mandatory closings and event cancellations will have far-reaching effects, and while they may be appropriate, I think the effects of the closings and cancellations may be as bad or worse than COVID-19. We need to get everyone back to more normal operations and give the public some comfort on an end to the restrictions. Shutting down the country for three to four months and not giving any encouragement of an end date, in my opinion, is overreacting and irresponsible. Consumer confidence drives our economy, and public officials are doing nothing to inspire any shred of confidence in their leadership or the situation even as the pandemic is subsiding in the places it originated. We should already be talking about how we are going to get back to work in six to eight weeks and what we will do to help kick-start the economy. In six to eight weeks, if we need to push it a week or two we can, but offering no clear direction and extreme and vague termination projections is just fueling the uncertainty.

- The coronavirus uncertainty is causing panic.
- The coronavirus has completely changed the business outlook for the worse. The uncertainty to small business activity is affecting our line of business.
- The commercial real estate industry will have great troubles based on the coronavirus, especially retail and hospitality, with apartments following as residents lose their jobs. It's going to be an interesting time.
- We were having a great start in January and February. Many of those sales are closing in March and April. Many homeowners are not allowing their homes to be shown. I know that it will pick up in the summer.

## Rental and Leasing Services

- Oil battles had already turned our industry markets and outlook prior to the “big C” which has now started to kill all business. It's been raining for days, so that never helps construction and industry. So yeah we are bolting down the hatches and anticipating revenues will be off at least as badly as 2009 (-23 percent). In 2001, markets quit flying; in 2008–09, markets quit spending—this time we're going to quit both!

## Professional, Scientific and Technical Services

- Between the coronavirus and the Russia/Saudi Arabia oil price war, the energy business is in the tank. My consulting business is also in the tank.
- Everything has decreased due to the coronavirus.
- The projects that we have underway and under contract appear to be moving forward. We understand, though, that conditions related to coronavirus prevention measures are changing throughout the day each day and can impact this. We're uncertain about potential project delays and work stoppages due to preventive safety measures.
- Regarding COVID-19: Until we determine what the new “normal” looks like and its duration, it is a very fluid situation. Workplaces are in flux and making necessary adjustments per governmental edicts. This necessary disruption must subside before ascertaining longer-term consequences.
- Business is at a standstill. Clients are canceling meetings. Transactions have been terminated or postponed indefinitely.
- There are three issues: (1) coronavirus; (2) oil collapse; (3) incompetent federal government response to both. I'm not sure any other comments are required but will elaborate on two other points. A fourth: the government/SEC [Security and Exchange Commission] needs to take a hard look at the impact HFT [high-frequency trading] is having on market volatility. This cannot continue to go unchecked. I know there is some sentiment that they as individual trading houses are not impacting prices, but that is ridiculous. En masse it seems obvious they are; just looking at these momentum shifts, their trade algorithms are impacting and costing everyone. Fifth: The bailouts, once again, are coming. The structure of these will be important. While they are perhaps needed for stability, these should not be free passes for industries to continue deleterious behavior. Company leadership should not be rewarded for a failure to manage properly and adequately prepare for these types of events. Airlines, and any debt-laden entities in focus, have taken on way too much risk with no plan for a downturn. Those chickens have now come to roost.
- COVID-19 and the Russian/Saudi stance on oil production and pricing has and will likely continue to have an adverse effect on our workload.
- The crash of the stock market may have a bigger impact on development and construction business than the virus. Totally unknown at this point.
- The grocery industry is currently positively affected by COVID-19. The longer term is uncertain.
- COVID-19 is scaring everyone, but if we can get it under control and flatten the curve, we can restore the economy quickly. We need to keep construction going if we can.

- COVID-19 is obviously having a dramatic effect on the market. Legal services are fortunate that we can work remotely, and we have all the infrastructure in place and have made a smooth transition. Demand for client services has spiked in the near term (with inquiries on how clients need to respond to current market conditions). Medium-term demands (30 days into shelter-in-place orders) is unknown. Long term (return to normalcy), we expect a high demand for services as clients readjust and rebuild. We are concerned that clients will begin to ration their own payment priorities that could impact their prioritization for paying legal invoices, which could lead to a cash crunch for many law firms. We are well-capitalized and have run multiple scenarios and don't believe we will have any cash concerns, but others may. We are too soon into this crisis to see what we will need to do medium term with employees. Right now, everyone is being fully paid.
- I expect little to no impact on my business from the current health pandemic. In 2013, I began taking client information electronically via a secure document portal. Some clients still want face-to-face meetings, but most of my client contact is accomplished via phone, email, text messages and the secure portal. Cloud-based applications have made physical transfers of data files almost extinct, and even when required, I can get those electronically.
- As a CPA firm, demand for tax returns with refunds has increased, as well as help for loans for businesses.
- Obviously, coronavirus will affect all of us.
- These are unprecedented times, and no one knows how deep the recession is going to be. The stimulus package coming out will help, but we don't know if it is going to be enough to save the economy from a deep recession.
- We don't yet have a feel for activity levels since the changes of last week. We have moved to remote work and could see a slowdown just because of that. We expect activity in some areas are of course likely to slow down, with increases in others. We would speculate we will see a decrease in hours and revenue for a few months.
- We are having to make adjustments for employees working out of their homes and setting up software and processes to comply with HIPAA [Health Insurance Portability and Accountability Act], Texas Department of Insurance, SEC and FINRA [Financial Industry Regulatory Authority]. We were ready to hire new employees and are now putting everything on hold.
- COVID-19 and the oil price downturn are the two economic shocks that have worsened the outlook.

## **Management of Companies and Enterprises**

- We are in uncharted times and territory.

## **Administrative and Support Services**

- The biggest drag, COVID-19, has affected us as of March 12, 2020. All sectors except industrial-oil machined parts production were up and positive. We are hoping the recent Fed [Federal Reserve] actions and the "hope" for some type of treatment will lift the sectors somewhat. We, being in the aviation sector, are scrambling to find a way to survive for six months without bankruptcy.
- Uncertainty is the name of the game right now. Our backlog is still strong, and we continue high production. It is just hard to know where we go from here with regard to the virus' impact on the country. We will use the opportunity to hire better people if we are presented with that opportunity.
- Since we are a temporary staffing service, with offices in several south central Texas cities, we have several thousand temporary employees working at various companies at different times. New federal vacation and sick leave laws will include all of our temporary employees just as if they were full-time employees at other companies. We want the best for our temporary employees, but we do not feel that it is fair to pay the costs associated with full-time employees to temporary employees who may work for only several weeks.
- The travel industry is a key facilitator in the economy. The damage inflicted on this industry has been, and will be felt, for months if not years. The trickle-down effect will be felt far and wide.
- Travel service providers have suffered a drastic loss of business. As government contractors, we hope that in the next 60 days it will improve. We have long-standing contracts.
- Business activity is declining due to COVID-19. Closing of schools, child care centers and layoffs in hospitality sectors are impacting the local area.

- Harris County ordered bars, cafes and restaurants to close except for drive-thru, delivery or take out. There had already been panic buying at many of the local grocery stores. We expect the new social distancing regulations to dramatically slow down economic and other activity and result in an increase in unemployment and negative impact on families living paycheck to paycheck.
- Business was pretty solid until the coronavirus.
- Any revenue gains for the fiscal year (Oct. 1) start have been completely wiped out; it is anticipated there will be no revenue coming in for at least eight weeks, and then revenues will return but at a 15–25 percent drop-off.

## **Waste Management and Remediation Services**

- In the short term, demand for our product—paper and cardboard collected for recycling—has picked up. The problem is that the supply for both commodity grades has decreased (potentially increasing the price for these grades in April). As more employees are working from home, the supply of office paper is contracting. Boxes are increasing but are not making their way into the clean supply stream. Many boxes are for Amazon home deliveries and end up in the homeowner's recycle bin. These boxes get mixed in the other commodities in the bin, becoming contaminated and lowering the recyclability. Weird times.

## **Educational Services**

- COVID-19 is directly affecting our business as it's prohibiting us from working with school leaders in the schools. We are currently looking for innovative ways to continue to support the students, teachers and leaders we serve in a remote setting.
- The underlying fundamentals in our business model remain the same; it's the exogenous variables that are uncontrollable. As the pandemic subsides, and it will, I think we will regain a sense of normalcy and our local economy will respond accordingly.
- As an educational institution, we have had to move to complete online delivery with little time to prepare. We are concerned that we may lose current students who dislike that mode. We also worry that loss of income for potential students may cause them to defer education. And finally, the need to provide refunds and the loss of revenue from auxiliary services and athletics will negatively impact our financial position.

## **Ambulatory Health Care Services**

- In the current environment, we cannot project out six months.
- We are currently at 12 percent of normal volume and see that decreasing to 5 percent. We are in the process of drawing down our line of credit and securing additional financing in order to support our employees. The plan is to allow them to draw down PTO then support all at a rate of 24 hours/week plus benefits. We anticipate being able to survive three to four months but will require additional financing to ramp up again. Despite being in health care, we have no PPE [personal protective equipment] and therefore cannot image patients for COVID-19. This is a black swan of the worst kind. I anticipate being down 100 percent soon. We cannot open until everyone has masks, everyone can be tested and everyone who is sick has a bed. Terrible preparation on the part of our government and emergency systems. I started preparing at the end of January but with supply chain disruptions, was unable to secure masks or PPE even back then. Simply stated, a disaster of biblical proportions.

## **Nursing and Residential Care Facilities**

- As with most businesses, COVID-19 is already impacting our retirement community. For the safety of our residents, we have closed the campus to outside visitors and nonessential workers.

## **Social Assistance**

- All of our outlook is a reflection of our response to the COVID-19 pandemic.

## **Performing Arts, Spectator Sports and Related Industries**

- All our issues are due to COVID-19 and the government shutting down businesses.

## **Museums, Historical Sites and Similar Institutions**

- We are closed to the public with zero income and an unknown timeline for the future. We take care of live animals so our daily costs and many activities remain the same. As a nonprofit, our status for receiving SBA [Small Business Administration] loans or other such [help] is unlikely. We will probably have to rely on government handouts.

## Accommodation

- It's impossible to predict the lasting impact of the virus on future occupancy levels. We expect that we will end the year at 25 percent below last year's revenue levels, as even after the virus has been stabilized, travel will be slow to recover.
- No one can predict the future right now. The world has changed.
- Seems pretty obvious, but due to COVID-19, our business has effectively shut down. Meetings are canceled through May, and many are trying to cancel as far out as January 2021. There is no individual transient travel occurring currently, and we have no idea how long that will continue. We have furloughed almost 90 percent of our staff.

## Food Services and Drinking Places

- We are hopeful that things will get better.
- Sales are down dramatically with new regulations. Not sure how long restrictions will last, but they are of course having a severe impact on business.
- The coronavirus is killing my business. I may file bankruptcy.
- We have been required to close down our businesses. As soon as we are over the virus, we will get back to normal for the rest of the year.
- Oil is down.
- The effects of the coronavirus and how long it will affect the economy are unknown.

## Repair and Maintenance

- COVID-19 has greatly impacted our business.

## Religious, Grantmaking, Civic, Professional and Similar Organizations

- COVID-19 is impacting our business as we are unable to host events and we anticipate membership dues from businesses declining.
- COVID-19 has created unprecedented uncertainty for all businesses but particularly on nonprofits and economic developers.
- The impact of the virus has placed a great uncertainty on our operation, which has a negative effect.
- COVID-19 is killing our business in the short term, and I am deeply concerned about what will happen over the long term.
- Let's keep these banks from foreclosing on small business and working families.
- Our entire organization is now telecommuting due to coronavirus concerns through at least March 30.
- COVID-19 has had an obvious impact. As a social services organization providing basic necessities to low-income families, we expect increases in activity over the next month to six months.

## Merchant Wholesalers, Durable Goods

- This survey is riddled with uncertainty related to COVID-19. Our most significant concern is when will export production begin in China so we do not end up in an inventory shortage? Secondly, will the number of new COVID-19 cases flatten so that businesses and the economy begin to recover? If the supply chain opens up, some of our products would be available to our current and potential customers in unrestricted quantities.
- Due to the coronavirus, and the present uncertainty on how to do and maintain business, our board of directors in China has decided to discontinue operations soon. We will lose 14 more employees.
- With everything shut down, people just freeze, so no sales are going to happen until maybe a month after society returns to normalcy.
- COVID-19 and oil prices both are significantly impacting metalworking manufacturing in North Texas. We are a wholesale distributor of machine shop and industrial supplies.
- COVID-19 has made the short-term outlook difficult. I do feel that once we have the pandemic behind us, business will feel a real surge and improve.

- The virus has affected all businesses. Texas and our residential construction industry remain vibrant and strong but have been affected by the virus and market headwinds. Our company is in a position to support our customers (and their customers') needs, whether it is a soft landing (mild economic impact) or a hard landing and more severe economic impact. I personally feel market fundamentals are strong and the market will rebound fairly quickly if the right policies are enacted timely.

### **Merchant Wholesalers, Nondurable Goods**

- We sell wholesale to restaurants. In the past week, we have learned from most markets we serve (Puerto Rico, South America, Hawaii) that restaurants have closed their dining rooms to combat the spread of COVID-19. As restaurant sales decrease, it's only a matter of time before we see a slowdown in orders as well. As people are furloughed or laid off from employment, we will also see lasting impact to restaurant sales after the pandemic eases (people won't be able to afford to eat out).
- Coronavirus has had an immediate impact. How this impacts buying patterns over the next six months to a year remains to be seen for retail. The consumer will pull back regardless to prepare for market shocks in the future. The economic free for all and rampant consumer consumption will end for a long time. Just like the Great Depression had an impact on an entire generation, this too will have a similar economic impact on a large part of the world economy.

### **Motor Vehicle and Parts Dealers**

- Our answers appear to be contradictory; however, we feel this may be a "buying opportunity," and we plan to attempt acquisitions during the immediate downturn in hopes that it will not be prolonged.
- Obviously, the closure of so many restaurants, clubs, gyms and retail establishments has taken much spendable income away from the consumer. These are tough times in the near term but will not last long term I think.
- I believe that the coronavirus will impact all retail business negatively.
- COVID-19 is changing almost everything. As an essential business, we will not be closing but may be adjusting hours and staff on duty.
- We are seeing continued employee fear and uncertainty regarding their desire to work and be in contact with customers. We are, however, selling and servicing vehicles at a surprising rate given the circumstances. There is a lot of concern that the federal sick leave bill will leave us short of workforce. Another huge issue is the extremely fast drop in used vehicle prices; this has the potential to shake our economy from many perspectives.

### **Building Material and Garden Equipment and Supplies Dealers**

- If they don't open up the economy soon, most businesses will be broke. We must open it back up as soon as possible.
- We are reacting daily to the changes taking place. Employee safety is put first, and this will definitely affect revenue and profits. It is questionable just how long and deep this will extend.

### **Clothing and Clothing Accessories**

- The majority of our stores have been forced to close due to the coronavirus.

### **Nonstore Retailers**

- Most of our business has gone to zero except for essential locations such as hospitals, military bases and prisons. As a vending company, we know we are "less essential" to these businesses, so we anticipate our business could go to zero due to the current COVID-19 situation. We are contemplating at this moment sending most employees home while our owners determine whether they can afford to pay reduced salaries and cover benefits for a short period while we see if things improve or worsen. Most of our administrative team already has the capability to work remotely, and there will be plenty of work to keep them occupied full time, unless we need to totally shut down.

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Questions regarding the Texas Service Sector Outlook Survey can be addressed to Christopher Slijk at [christopher.slijk@dal.frb.org](mailto:christopher.slijk@dal.frb.org).

# Texas **Business** Outlook Surveys

## Special Questions

March 30, 2020

For this month's survey, Texas business executives were asked supplemental questions on the impacts of the coronavirus (COVID-19). Results below include responses from participants of all three surveys: Texas Manufacturing Outlook Survey, Texas Service Sector Outlook Survey and Texas Retail Outlook Survey.

### Texas Business Outlook Surveys

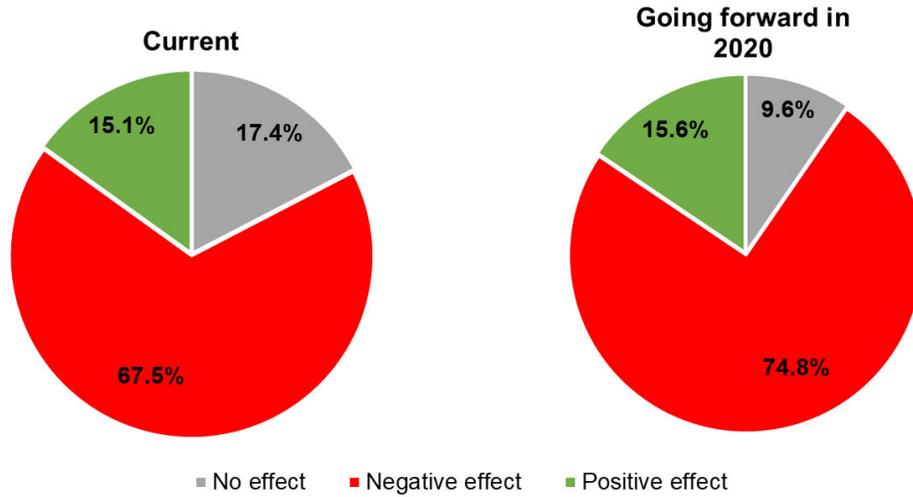
Data were collected March 17–25, and 400 Texas business executives responded to the survey.

#### How is the coronavirus (COVID-19) currently impacting each of these measures of your business?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Uncertainty	<b>2.0%</b>	12.2%	71.3%	<b>83.5%</b>	3.0%	11.4%	<b>14.5%</b>
Input prices	<b>59.3%</b>	15.6%	7.7%	<b>23.3%</b>	11.0%	6.4%	<b>17.4%</b>
Selling prices	<b>60.3%</b>	4.4%	2.9%	<b>7.3%</b>	17.9%	14.5%	<b>32.5%</b>
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	<b>36.7%</b>	40.1%	20.9%	<b>61.0%</b>	1.3%	1.0%	<b>2.3%</b>
Production/revenue/sales	<b>16.5%</b>	33.0%	43.7%	<b>76.7%</b>	3.9%	2.9%	<b>6.8%</b>
Demand for products or services	<b>17.4%</b>	27.9%	39.6%	<b>67.5%</b>	9.0%	6.1%	<b>15.1%</b>
Number of employees	<b>53.3%</b>	21.9%	12.4%	<b>34.3%</b>	9.0%	3.4%	<b>12.4%</b>
Hours worked	<b>38.4%</b>	23.3%	15.1%	<b>38.4%</b>	16.1%	7.2%	<b>23.3%</b>
Capital spending	<b>33.9%</b>	16.6%	23.1%	<b>39.6%</b>	9.8%	16.6%	<b>26.4%</b>

NOTE: 400 responses.

**How is COVID-19 impacting demand for your products or services, and what do you expect going forward in 2020?**



SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.

**Respondents indicating an effect on the demand for products or services were asked to estimate the impact.**

Average negative impact	36.0%
Average positive impact	28.0%

NOTES: The average negative impact calculation is based on 230 responses. The average positive impact calculation is based on 53 responses.

**Respondents indicating an effect on the number of employees were asked to indicate whether the change in employment is temporary or permanent.**

	Temporary	Permanent
Negative impact	69.1%	30.9%
Positive impact	73.7%	26.3%

NOTES: The negative impact breakouts are based on 110 responses. The positive impact breakouts are based on 38 responses.

## How do you expect the coronavirus (COVID-19) to impact each of these measures of your business going forward in 2020?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Input prices	<b>38.8%</b>	24.2%	10.2%	<b>34.4%</b>	19.0%	7.8%	<b>26.8%</b>
Selling prices	<b>43.1%</b>	17.5%	7.6%	<b>25.1%</b>	20.4%	11.5%	<b>31.9%</b>
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	<b>29.7%</b>	45.0%	21.3%	<b>66.3%</b>	2.6%	1.3%	<b>3.9%</b>
Production/revenue/sales	<b>9.2%</b>	34.1%	47.2%	<b>81.3%</b>	6.4%	3.1%	<b>9.5%</b>
Demand for products or services	<b>9.6%</b>	33.5%	41.3%	<b>74.8%</b>	9.9%	5.7%	<b>15.6%</b>
Number of employees	<b>36.2%</b>	36.2%	19.7%	<b>55.9%</b>	6.7%	1.3%	<b>7.9%</b>
Hours worked	<b>32.9%</b>	31.6%	21.2%	<b>52.8%</b>	11.1%	3.1%	<b>14.2%</b>
Capital spending	<b>32.3%</b>	22.8%	29.1%	<b>52.0%</b>	7.1%	8.7%	<b>15.7%</b>

NOTE: 400 responses.

### Respondents indicating an expected effect on the demand for products or services were asked to estimate the impact.

Average negative impact	31.0%
Average positive impact	26.1%

NOTES: The average negative impact calculation is based on 256 responses. The average positive impact calculation is based on 53 responses.

### Respondents indicating an expected effect on the number of employees were asked to indicate whether the change in employment would be temporary or permanent.

	Temporary	Permanent
Negative impact	69.4%	30.6%
Positive impact	62.1%	37.9%

NOTES: The negative impact breakouts are based on 180 responses. The positive impact breakouts are based on 29 responses.

**As you plan for your business, how long do you expect the coronavirus (COVID-19) impact to last?**

Less than 3 months	19.5%
3–6 months	45.7%
6–9 months	16.2%
9–12 months	7.4%
More than 12 months	11.2%

NOTE: 394 responses.

NOTE: Survey respondents were given the opportunity to provide comments. These comments can be found on the individual survey Special Questions results pages, accessible by the tabs above.

## Texas Manufacturing Outlook Survey

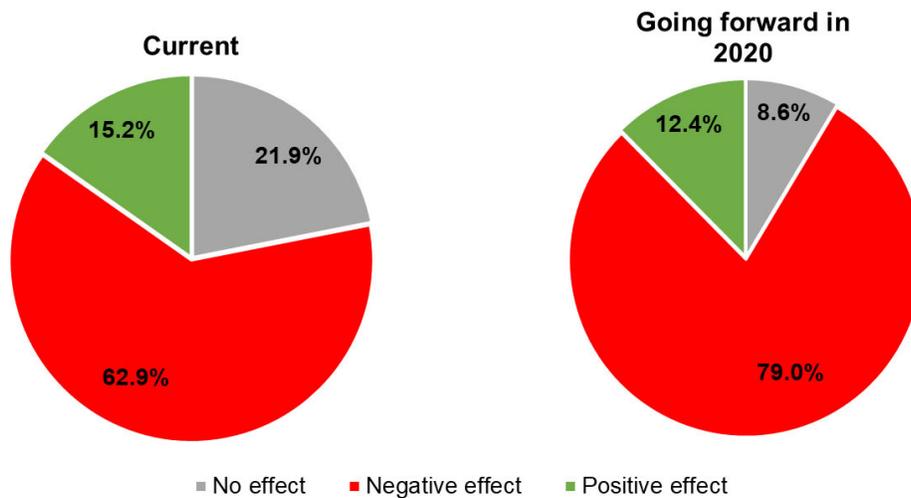
Data were collected March 17–25, and 106 Texas manufacturers responded to the surveys.

### How is the coronavirus (COVID-19) currently impacting each of these measures of your business?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Uncertainty	1.0%	15.2%	77.1%	92.4%	1.0%	5.7%	6.7%
Input prices	65.7%	15.2%	4.8%	20.0%	8.6%	5.7%	14.3%
Selling prices	68.9%	4.9%	1.9%	6.8%	16.5%	7.8%	24.3%
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	32.7%	47.1%	18.3%	65.4%	1.0%	1.0%	1.9%
Production	27.5%	43.1%	24.5%	67.6%	2.9%	2.0%	4.9%
Demand for products or services	21.9%	33.3%	29.5%	62.9%	7.6%	7.6%	15.2%
Number of employees	60.6%	22.2%	7.1%	29.3%	8.1%	2.0%	10.1%
Hours worked	41.7%	29.1%	8.7%	37.9%	14.6%	5.8%	20.4%
Capital spending	33.7%	15.4%	21.2%	36.5%	11.5%	18.3%	29.8%

NOTE: 106 responses.

### How is COVID-19 impacting demand for your products or services, and what do you expect going forward in 2020?



SOURCE: Federal Reserve Bank of Dallas, Texas Manufacturing Outlook Survey.

**Respondents indicating an effect on the demand for products or services were asked to estimate the impact.**

Average negative impact	30.0%
Average positive impact	29.4%

NOTES: The average negative impact calculation is based on 62 reponses. The average positive impact calculation is based on 16 responses.

**Respondents indicating an effect on the number of employees were asked to indicate whether the change in employment is temporary or permanent.**

	Temporary	Permanent
Negative impact	69.2%	30.8%
Positive impact	88.9%	11.1%

NOTES: The negative impact breakouts are based on 26 responses. The positive impact breakouts are based on nine responses.

**How do you expect the coronavirus (COVID-19) to impact each of these measures of your business going forward in 2020?**

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Input prices	34.3%	29.4%	7.8%	37.3%	23.5%	4.9%	28.4%
Selling prices	45.5%	22.8%	8.9%	31.7%	16.8%	5.9%	22.8%
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	23.5%	50.0%	22.5%	72.5%	3.9%	0.0%	3.9%
Production	13.3%	50.5%	30.5%	81.0%	4.8%	1.0%	5.7%
Demand for products or services	8.6%	45.7%	33.3%	79.0%	7.6%	4.8%	12.4%
Number of employees	39.0%	38.1%	17.1%	55.2%	3.8%	1.9%	5.7%
Hours worked	30.5%	36.2%	16.2%	52.4%	12.4%	4.8%	17.1%
Capital spending	28.8%	26.9%	26.9%	53.8%	5.8%	11.5%	17.3%

NOTE: 106 responses.

**Respondents indicating an expected effect on the demand for products or services were asked to estimate the impact.**

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Average negative impact	26.4%
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Average positive impact	23.3%
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NOTES: The average negative impact calculation is based on 77 responses. The average positive impact calculation is based on 13 responses.

**Respondents indicating an expected effect on the number of employees were asked to indicate whether the change in employment would be temporary or permanent.**

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	Temporary	Permanent
Negative impact	75.5%	24.5%

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Positive impact	83.3%	16.7%
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NOTES: The negative impact breakouts are based on 53 responses. The positive impact breakouts are based on six responses.

**As you plan for your business, how long do you expect the coronavirus (COVID-19) impact to last?**

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Less than 3 months	18.1%
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3–6 months	48.6%
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6–9 months	19.0%
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9–12 months	7.6%
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More than 12 months	6.7%
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NOTE: 105 responses.

## Special Questions Comments

These comments have been edited for publication.

### Chemical Manufacturing

- The major impact from the coronavirus is the killing of any economic momentum at all costs to isolate. It may take years to recover the huge loss of jobs and dampening of the economy.
- We are experiencing an additional impact of [low] oil prices.

### Nonmetallic Mineral Product Manufacturing

- The situation is too unknown and fluid. We are open and producing products today. But we might be shut down tomorrow and for an unknown period of time.

### Primary Metal Manufacturing

- We are experiencing a strange order intake; some more financially strong customers are increasing their raw-material inventory levels while others are decreasing them. We have seen a slight uptick in business that will be short-lived.

### Fabricated Metal Manufacturing

- We are less efficient due to all of the extra procedures that we have to incorporate in our processes.
- It is a fluid situation. Everyone is concerned, but businesses don't seem to be overreacting now. (We serve businesses and not the general public.)
- The more significant concerns are for the future, when the virus is more established.

### Machinery Manufacturing

- It is too soon to know the impact of material availability, but we are seeing an instant decrease in orders and inquiries, which means when the current work in-house is completed (mid to end of April), there will be no work to replace it. Obviously, this is not a good outlook. If the self-imposed shutdown continues at this rate, it is my opinion the country will be entering a depression by fall. My concern is, of course, for my men, our families and our shop. To be absolutely honest, I am scared of losing my income, my shop and my home. We cannot survive a dramatic loss of work.
- This is uncharted territory for our company. We are fortunate that we have three to six months of cash reserves, but beyond that time period, it would become problematic.
- Oil company budgeting is being slashed as we talk now. My business had been paying down debt, but we see that our cash flow will be reduced significantly in the near future, and the precautionary measures that we are implementing are hurting our efficiency to keep our business reacting quickly.
- We are largely affected by the drop in oil prices.

### Computer and Electronic Product Manufacturing

- Prolonged lower oil prices will impact our largest customer. Potentially reduced demand from postponed capital expenditures is likely to reduce business-to-business activity, which is our primary revenue stream. We do not expect capital expenditures to resume as quickly as previously assumed since the virus impact appears to be deeper, with business interruptions. We assume that capital expenditures that could be postponed most likely will be, as businesses grapple with the actual cost of the pandemic and lost productivity.
- This pandemic seems overblown when you look at the actual death toll (my opinion at this time, anyway), but the impact on the economy will be very real and much more devastating than this virus.
- This is a very, very uncertain time. You should survey us again in one week—I would expect things to be different. I'm not sure if it will be better or worse, but we should understand directionally where things are going by then.

### Apparel Manufacturing

- Our manufacturing environment has nearly 300 people in close proximity to each other, which as you can guess is a serious concern.

## **Wood Product Manufacturing**

- We have no idea how long this will take.

## **Paper Manufacturing**

- At this point, everything that I say is really conjecture. I readily admit that I have no idea how widespread and long term the effects of the coronavirus virus will be.

## **Printing and Related Support Activities**

- Please pass the coronavirus small business [relief] bill ASAP!

## **Miscellaneous Manufacturing**

- Business closures are causing supply-chain disruptions/stoppages and must end quickly—within 2 weeks—or the impact will last a decade, in my opinion. This is based on my experience with the aftermath of the Great Recession.

## Texas Service Sector Outlook Survey

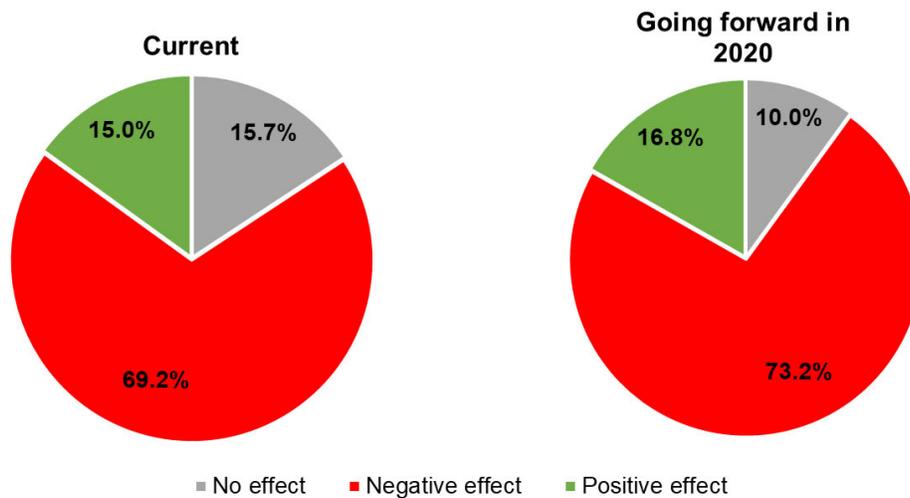
Data were collected March 17–25, and 294 Texas business executives responded to the surveys.

### How is the coronavirus (COVID-19) currently impacting each of these measures of your business?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Uncertainty	2.4%	11.1%	69.2%	80.3%	3.8%	13.5%	17.3%
Input prices	57.0%	15.7%	8.7%	24.5%	11.9%	6.6%	18.5%
Selling prices	57.1%	4.3%	3.2%	7.4%	18.4%	17.0%	35.5%
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	38.2%	37.5%	21.9%	59.4%	1.4%	1.1%	2.5%
Revenue/sales	12.5%	29.3%	50.7%	80.0%	4.3%	3.2%	7.5%
Demand for products or services	15.7%	25.9%	43.4%	69.2%	9.4%	5.6%	15.0%
Number of employees	50.7%	21.8%	14.3%	36.1%	9.3%	3.9%	13.2%
Hours worked	37.2%	21.2%	17.4%	38.5%	16.7%	7.6%	24.3%
Capital spending	34.0%	17.0%	23.8%	40.8%	9.2%	16.0%	25.2%

NOTE: 294 responses.

### How is COVID-19 impacting demand for your products or services, and what do you expect going forward in 2020?



SOURCE: Federal Reserve Bank of Dallas, Texas Service Sector Outlook Survey.

**Respondents indicating an effect on the demand for products or services were asked to estimate the impact.**

Average negative impact	38.2%
Average positive impact	27.4%

NOTES: The average negative impact calculation is based on 168 responses. The average positive impact calculation is based on 37 responses.

**Respondents indicating an effect on the number of employees were asked to indicate whether the change in employment is temporary or permanent.**

	Temporary	Permanent
Negative impact	69.0%	31.0%
Positive impact	69.0%	31.0%

NOTES: The negative impact breakouts are based on 84 responses. The positive impact breakouts are based on 29 responses.

**How do you expect the coronavirus (COVID-19) to impact each of these measures of your business going forward in 2020?**

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Input prices	40.4%	22.3%	11.0%	33.3%	17.4%	8.9%	26.2%
Selling prices	42.2%	15.6%	7.1%	22.7%	21.6%	13.5%	35.1%
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	32.0%	43.2%	20.9%	64.0%	2.2%	1.8%	4.0%
Revenue/sales	7.7%	28.1%	53.3%	81.4%	7.0%	3.9%	10.9%
Demand for products or services	10.0%	28.9%	44.3%	73.2%	10.7%	6.1%	16.8%
Number of employees	35.1%	35.4%	20.7%	56.1%	7.7%	1.1%	8.8%
Hours worked	33.8%	29.9%	23.1%	53.0%	10.7%	2.5%	13.2%
Capital spending	33.6%	21.3%	30.0%	51.3%	7.6%	7.6%	15.2%

NOTE: 294 responses.

**Respondents indicating an expected effect on the demand for products or services were asked to estimate the impact.**

Average negative impact	32.9%
Average positive impact	27.0%

NOTES: The average negative impact calculation is based on 179 responses. The average positive impact calculation is based on 40 responses.

**Respondents indicating an expected effect on the number of employees were asked to indicate whether the change in employment would be temporary or permanent.**

	Temporary	Permanent
Negative impact	66.9%	33.1%
Positive impact	56.5%	43.5%

NOTES: The negative impact breakouts are based on 127 responses. The positive impact breakouts are based on 23 responses.

**As you plan for your business, how long do you expect the coronavirus (COVID-19) impact to last?**

Less than 3 months	20.1%
3–6 months	44.6%
6–9 months	15.2%
9–12 months	7.3%
More than 12 months	12.8%

NOTE: 289 responses.

## Special Questions Comments

These comments have been edited for publication.

### Utilities

- I believe that fear is the greatest issue we face with COVID-19.

### Truck Transportation

- This [COVID-19] wouldn't be a big deal if the media wasn't hyping it as a way to get President Trump.

### Support Activities for Transportation

- I simply cannot predict how this will impact our industry, and I believe pricing, etc., will be very volatile.

### Warehousing and Storage

- The question posed was around the impact of COVID-19 on the business, so that is what I have tried to answer. However, the crude oil share war currently engaged by the Saudis and the Russians is going to have a far greater impact on our business conditions. While I believe COVID-19 may decrease demand by 5 percent, I would guess the cratering of the oil markets will have another 20–25 percent impact on demand and prices for at least the next six to nine months.

### Publishing Industries (Except Internet)

- There is near-term uncertainty due to lack of travel to show new interactive AR [augmented reality] demos and have some personal interface relationship group meetings, which are more effective than videoconferencing. Also, clients and customers probably will be significantly slower to make decisions in some cases, due to remote locations and hesitation to commit funding and orders—in some cases due to cash flow management being very important for most organizations going forward. Ironically, the market for advanced interactive user interface training and education software is growing, with the virus causing a shift to remote work and interaction. However, group meetings and money are needed to close orders for these solutions, at least in the short term.

### Data Processing, Hosting and Related Services

- There is lots of speculation at this point on any forecasts. We are hopeful the “lockdowns” have an impact on reducing the virus' spread and [result in] faster recovery of the economy. We are hopeful a vaccine or cure emerges from the ingenuity of very smart people working together around the world, and that government bureaucracies reduce the hurdles to help us all get there faster.

### Credit Intermediation and Related Activities

- We have both negative and positive impacts. Our hope is that they balance each other out.
- We anticipate a natural negative impact but can only guess at the extent of the impact.
- We are a subprime lender, so demand will be up, but we are concerned about credit losses and will tighten underwriting.

### Securities, Commodity Contracts, and Other Financial Investments and Related Activities

- We may begin to be forced to lay off people in a month. We are holding off as long as we can. The consumer is paralyzed. The ripple effect of this is beginning to be felt throughout all areas of business. B2B [business-to-business] customers do not want to be sold to. We have had potential customers say selling right now is "offensive." We need help from the Fed [Federal Reserve] and Congress. We are hopeful the Fed will assist in helping all small and medium businesses with the cash flow necessary to keep our people employed. We strongly believe we can keep our employees' jobs in place once business activity begins moving again. However, assistance is needed through these “shut-in” periods. Business activity is simply at a standstill.

### Real Estate

- The impact of the virus is directly impacted by the leadership at every level, and hopefully, responsible leadership will not be guided by so much abundance of caution that it destroys the economy for years.

## Rental and Leasing Services

- Once you shut off an economy for whatever reason, it doesn't all come back quickly if at all once you remove the condition that shut it off. I think if the virus dissipates this summer, the fears it will return in the fall will hold the economy down. I suspect an efficacious vaccine will have to be developed and proven before that negative is removed from the economy. But the economy was rolling over in our industry prior to the coronavirus because of the conflict between Russia and the Middle East regarding oil prices. An oil decline is a net negative to our industry in Texas, no doubt—proven fact! So, we were headed south prior to the coronavirus, but it has certainly hastened the exit and will delay the recovery. My best guess is 12 to 24 months to recover.

## Professional, Scientific and Technical Services

- While we may start recovery in three to six months, the impact and speed of recovery will go on for nine to 12 months and probably extend for the next two years. Remember, it is not just the U.S., but the whole world.
- First quarter 2020 started as the best first quarter in firm history. We have a spike in demand right now in response to the pandemic, but do expect that demand will flatten and likely go negative if we are disrupted more than 30 days. After that, we don't know. Right now modeling has a decline in revenue in the 7 to 10 percent range.
- You have two simultaneous black swan events: virus and oil pricing.
- So much now is wait and see. Estimates are only rough at this point. We could shift to a 30 percent decrease. We will easily lose a quarter in 2020 and will be watching March, April and May results closely. Coronavirus and oil shock are a double hit impacting us globally. As in 2009, there is some very negative impact to clients that is driving immediate work, but that will taper off and then we are not sure what replaces it.
- It is too soon to tell how this impacts the law business. Transactions are likely to slow in the near and maybe medium term. Counseling, restructurings and litigation may well increase.
- We service the grocery industry directly. As grocery consumption increases, so does our workload and revenue. When it levels out, so will ours.
- Small businesses like us urgently need additional credit lines or loans to overcome the coronavirus-related downturn and to meet payroll, which is our biggest expense. Our revenues are impacted significantly.
- Almost all of our projects have been postponed or canceled at this time.
- The impact of COVID-19 on actual business appears to be limited, but the impact on the stock market and available money is a big unknown.

## Management of Companies and Enterprises

- The economic aftershock from all the business closings will far outweigh the impact from the virus itself in the long term.

## Administrative and Support Services

- Many conventions have canceled or been postponed.
- We were having the most productive and profitable year since we opened in 1998, with the hiring of qualified and "good" inspectors and expansion of our services offered by new capital equipment; then BOOM, it's knocked down.
- The communication from the government that employers can continue to pay salaries/payroll taxes and will be reimbursed is sorely missing key points. Tax credits will not work. We need cash, and we need it prior to paying employees and payroll taxes. Smaller companies like mine with less than \$2 million in revenue do not have the financial reserves or access to bank loans like larger companies do. We are a staffing company, providing contract employees. Also, if we are locked down in Houston like New York, etc., how do I receive checks from clients into my bank if they're all closed? I've been in business since 1992, and I would hate to have the government's actions on how to fund businesses and employees not be immediate and easily navigated.
- These responses are wild guesses. So little is known about how our customers are going to respond to the coronavirus in regard to continuing projects. It's hard to imagine much if any new hiring until more is known about the hit to demand from their customers.
- Infection levels are expected to peak in mid-April, and the impact will be felt through late July or early August. If the remote office model is successful, expect significant pressure on the office rental market and companies' re-evaluation of office space economics. Food delivery services should do very well in the social distancing environment.
- We are unable to forecast (right now) any impact to our businesses.

## **Waste Management and Remediation Services**

- After surviving a dreadful 2019 in the recycling industry, business was beginning to gain positive traction in first quarter 2020. Then COVID-19 hit. Our business will do what is necessary to survive. There will be business readjustments everywhere. There is lots of uncertainty. We need the government to demonstrate to the public a strong sense of trust with a can-do attitude, which is nearly nonexistent right now.

## **Educational Services**

- COVID-19 is directly impacting our business by prohibiting us to work in schools. We are looking for innovative solutions to continue to serve the students, teachers and leaders we support. Additionally, we are looking at assistance to help mitigate our losses at this time. We remain optimistic that once this passes, we will emerge stronger as a company and continue to help positively transform the lives of kids.

## **Ambulatory Health Care Services**

- COVID-19 has brought to light the significant role of home health and hospice services in support of the senior health care. CMS [Centers for Medicare & Medicaid Services] needs to authorize home health and hospice services to take a proactive role in monitoring seniors at home in order to minimize COVID-19 in the community.

## **Amusement, Gambling and Recreation Industries**

- Since the mayor today shut down all restaurants and bars, of which we are one, even as a private club, I'm sure you can calculate the significant impact this will have. The longer we are closed, the greater the impact. We are just trying to do our part by paying 50 percent of all our employees' salaries, letting them use accrued vacation time and providing some work that needs to be done at the facilities. We are also starting curbside service. This will not only provide a service to our members but will help our employees feel productive. In other words, we are really trying to literally and figuratively make lemonade out of lemons.

## **Accommodation**

- The initial impact will likely be into this summer, but there will be long-ranging impacts to travel and meetings that could last for years.
- Expect declines in business and leisure travel to impact our industry through the Christmas holiday. Ideally, early 2021 business will resume travel, and transient customers will return to vacations or seasonal travel. Expect revenue and EBITDA [earnings before interest, taxes, depreciation and amortization] declines to increase pressure on capital improvements and staffing levels.
- We really cannot tell what the impact will be longer term. Right now, we are closing hotels, laying off employees and cutting pay, and occupancies are down to below 20 percent.

## **Food Services and Drinking Places**

- We are hopeful things will get better.
- We are not ready for this [COVID-19].
- This [COVID-19] is a political event overblown by the media.

## **Religious, Grantmaking, Civic, Professional and Similar Organizations**

- Our business retention efforts are going to exponentially increase while our outreach and marketing will suffer.
- Our entire organization is telecommuting due to coronavirus concerns through at least March 30.

# Texas Retail Outlook Survey

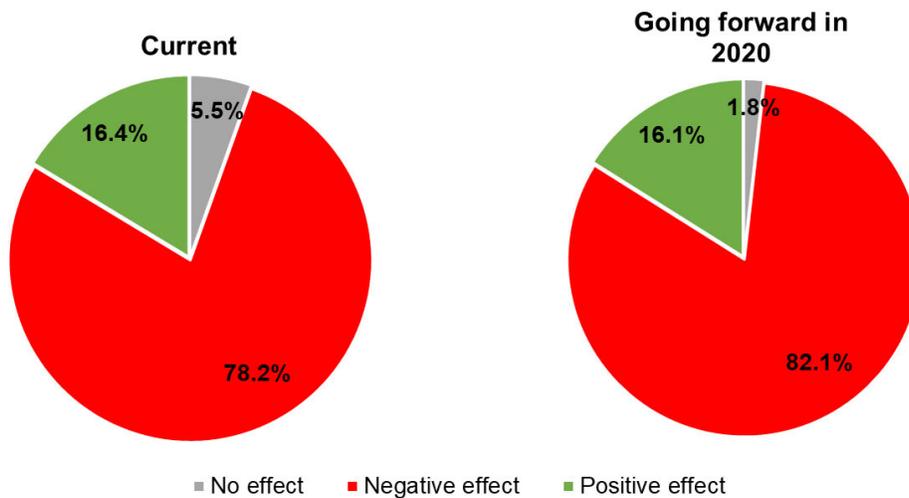
Data were collected March 17–25, and 56 Texas retailers responded to the surveys.

## How is the coronavirus (COVID-19) currently impacting each of these measures of your business?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Uncertainty	1.8%	10.7%	67.9%	78.6%	7.1%	12.5%	19.6%
Input prices	55.4%	16.1%	7.1%	23.2%	16.1%	5.4%	21.4%
Selling prices	56.6%	7.5%	5.7%	13.2%	20.8%	9.4%	30.2%
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	20.0%	43.6%	30.9%	74.5%	5.5%	0.0%	5.5%
Sales	3.7%	24.1%	55.6%	79.6%	7.4%	9.3%	16.7%
Demand for products or services	5.5%	29.1%	49.1%	78.2%	5.5%	10.9%	16.4%
Number of employees	48.1%	20.4%	13.0%	33.3%	13.0%	5.6%	18.5%
Hours worked	23.2%	21.4%	19.6%	41.1%	25.0%	10.7%	35.7%
Capital spending	25.5%	12.7%	20.0%	32.7%	20.0%	21.8%	41.8%

NOTE: 56 responses.

## How is COVID-19 impacting demand for your products or services, and what do you expect going forward in 2020?



SOURCE: Federal Reserve Bank of Dallas, Texas Retail Outlook Survey.

**Respondents indicating an effect on the demand for products or services were asked to estimate the impact.**

Average negative impact	37.8%
Average positive impact	37.8%

NOTES: The average negative impact calculation is based on 38 responses. The average positive impact calculation is based on nine responses.

**Respondents indicating an effect on the number of employees were asked to indicate whether the change in employment is temporary or permanent.**

	Temporary	Permanent
Negative impact	60.0%	40.0%
Positive impact	75.0%	25.0%

NOTES: The negative impact breakouts are based on 15 responses. The positive impact breakouts are based on eight responses.

**How do you expect the coronavirus (COVID-19) to impact each of these measures of your business going forward in 2020?**

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Input prices	40.0%	23.6%	3.6%	27.3%	25.5%	7.3%	32.7%
Selling prices	40.7%	16.7%	11.1%	27.8%	24.1%	7.4%	31.5%
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	14.3%	48.2%	30.4%	78.6%	3.6%	3.6%	7.1%
Sales	1.8%	32.1%	51.8%	83.9%	8.9%	5.4%	14.3%
Demand for products or services	1.8%	35.7%	46.4%	82.1%	8.9%	7.1%	16.1%
Number of employees	25.0%	37.5%	28.6%	66.1%	7.1%	1.8%	8.9%
Hours worked	20.0%	32.7%	25.5%	58.2%	18.2%	3.6%	21.8%
Capital spending	28.6%	19.6%	30.4%	50.0%	8.9%	12.5%	21.4%

NOTE: 56 responses.

**Respondents indicating an expected effect on the demand for products or services were asked to estimate the impact.**

Average negative impact	34.1%
Average positive impact	25.2%

NOTES: The average negative impact calculation is based on 39 responses. The average positive impact calculation is based on six responses.

**Respondents indicating an expected effect on the number of employees were asked to indicate whether the change in employment would be temporary or permanent.**

	Temporary	Permanent
Negative impact	60.0%	40.0%
Positive impact	80.0%	20.0%

NOTES: The negative impact breakouts are based on 30 responses. The positive impact breakouts are based on five responses.

**As you plan for your business, how long do you expect the coronavirus (COVID-19) impact to last?**

Less than 3 months	25.0%
3–6 months	41.1%
6–9 months	16.1%
9–12 months	3.6%
More than 12 months	14.3%

NOTE: 56 responses.

## Special Questions Comments

### Merchant Wholesalers, Durable Goods

- Our company had a strong first quarter. We are experiencing the impact of COVID-19, but it's impossible to know the effect it will have on our business. Congress has been slow to take steps on emergency relief bills to help the American people, which is disappointing.
- All the employees will be laid off, the operation of \$30 million is going away, and unemployment will be impacted. We have people working here 20-plus years and are 60 years old and older.
- So far, we haven't felt the measurable effects of a downturn in business but are preparing for it just in case.
- We sell PPE [personal protective equipment], so the demand for our product has increased significantly. However the supply (from China) has been stopped. If the supply chain reopens and there are no domestic restrictions, our outlook for 2020 would be positive.

### Motor Vehicle and Parts Dealers

- We believe the impact of job loss and product value will cause a longer-term downturn as it relates to sales but less of an impact on servicing vehicles. This will also create a glut of used cars as well, impacting a market three times larger than the new-car market at retail.
- We have a planned increase in capital spending. We are preparing to make acquisitions. Though the prices may not be significantly lower, the possibility of acquisitions may not have been available before.

### Nonstore Retailers

- Our board is only looking outward the next several weeks at this moment, but as fluid a situation as this is, we could decide to furlough employees without pay until further notice at anytime. We must move fast or risk not having the capital to recover as we work through this situation.

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